



STEVE COOLEY  
LOS ANGELES COUNTY DISTRICT ATTORNEY

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210 WEST TEMPLE STREET LOS ANGELES, CA 90012-3210 (213) 974-3501

March 7, 2006

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**AUTHORIZE ACCEPTANCE OF GRANT FUNDS FROM THE STATE OF  
CALIFORNIA DEPARTMENT OF INSURANCE (SCDI) FOR THE DISABILITY  
AND HEALTH INSURANCE FRAUD (DHIF) PROGRAM  
FOR FISCAL YEAR 2005-06 (ALL DISTRICTS) (3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Adopt the enclosed Resolution authorizing the District Attorney, to accept grant funds for the DHIF Program from SCDI in the amount of \$650,000 for the period of July 1, 2005 through June 30, 2006.
2. Authorize the District Attorney to execute the Grant Award Agreement (GAA) on behalf of the County of Los Angeles.
3. Authorize the District Attorney or his designee, on behalf of the County of Los Angeles, to serve as Project Director for the DHIF Program, and to sign and approve any revisions to the GAA that do not increase the net County cost of the agreement.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On October 6, 2005, the District Attorney's Office submitted an application to SCDI for the DHIF Program. A grant award letter was received on January 6, 2006 for the amount of \$650,000. The grant will be used solely for enhanced investigation and prosecution of disability and healthcare insurance fraud activities in Los Angeles County.

As part of the GAA, SCDI requires an approved resolution by the County's Board of Supervisors. The enclosed resolution has been approved as to form by County Counsel.

### **Implementation of Strategic Plan Goals**

Acceptance of the grant funds supports the County's Strategic Plan Goal No. 4, Fiscal Responsibility, by securing an available revenue source at the State level. This program directly supports the District Attorney's core mission of prevention, deterrence and prosecution of felony crime, throughout the County.

### **FISCAL IMPACT/FINANCING**

Grant funds in the amount of \$650,000 have been awarded to the Los Angeles County District Attorney's Office for the DHIF Program covering the period of July 1, 2005 to June 30, 2006. However, implementation of the program began on January 16, 2006 due to the late notification of the award. Program costs will be fully offset by the grant award.

Funding for this program was not included in the department's 2005-06 budget however, due to the large reduction in the Workers' Compensation Insurance Fraud (WCIF) Grant for 2005-06, a budget adjustment is not necessary.

This grant will fund 7 full-time and 4 part-time positions which will be filled with reassigned WCIF staff. The DHIF percentage staff will also be assigned to the WCIF grant so their cost will be fully offset.

If funding for this program were terminated, an evaluation would be conducted to determine whether the program would either be continued with costs absorbed by the department, or discontinued with the reallocation of staff to vacant budgeted positions.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Pursuant to the provisions of Section 1872.85 of the California Insurance Code, The State Department of Insurance is authorized to award and distribute funds to district attorneys submitting plans approved by the Bureau of Fraudulent Claims for the increased investigation and prosecution of fraudulent disability and healthcare claims.



Opportunities to steal money from healthcare and disability insurance carriers are limitless. The concentration of outpatient surgery centers in Southern California engaging in fraud is estimated to involve \$97 million in fraudulent claims. These centers risk their patient's health by having unnecessary surgery and other procedures, all for the sake of a billing opportunity for the doctors and cappers.

In 2002-2004, the Department of Insurance Fraud Division reported 2,913 suspected fraudulent claims (SFC) for healthcare and disability fraud statewide. Los Angeles County received 1,168 of those claims, representing a three-year average of 40% of the SFC's.

This will be the first year of this grant program for the District Attorney's Office. The goal is to identify, investigate and prosecute organized crime rings that are able to fraudulently collect millions of dollars for billing services not rendered, billing for more expensive services or procedures than actually provided (upcoding), performing medically unnecessary services, and misrepresenting non-covered treatments as medically necessary covered treatments for purposes of obtaining insurance payments. The success of this pilot program may expand the program statewide.

By developing a close working relationship with the Department of Insurance, other State agencies involved in investigating and prosecuting healthcare and disability insurance fraud, insurance carriers and other District Attorney offices, the department expects to reduce disability and healthcare insurance fraud in Los Angeles County and environs.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

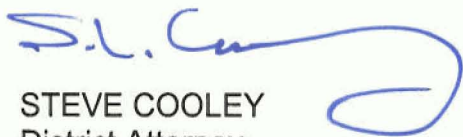
This program does not propose attorney staff augmentation. All staffing will come from existing DA resources, most for whom funding was lost by cuts in the WCIF grant program. Therefore, the District Attorney's Office is not subject to the Board Motion of December 15, 1998, requiring clearance with the Alternate Public Defender, Probation, Public Defender, and Sheriff's Departments.

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March 7, 2006  
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**CONCLUSION**

Following Board approval, the Executive Officer-Clerk of the Board is requested to return a copy of the adopted Board letter and two (2) copies of the executed Resolution, containing original signatures, to Ms. Emily Aidells, Contracts and Grants Unit, Los Angeles County District Attorney's Office, 201 North Figueroa Street, Suite 1300, Los Angeles, California 90012. Any questions may be directed to Ms. Aidells at (213) 202-7674.

Very truly yours,

  
STEVE COOLEY  
District Attorney

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Enclosures

c: Chief Administrative Office  
County Counsel

1                                   **BOARD OF SUPERVISORS**  
2                                   **COUNTY OF LOS ANGELES**  
3                                   **RESOLUTION**

4                                   Authorization to Accept a Grant Award from the  
5                                   State of California, Department of Insurance  
6                                   Pursuant to California Insurance Code  
7                                   Chapter 12 commencing with Section 1871, et seq.

8                                   **WHEREAS**, the provisions of Section 1872.85 of the California  
9 Insurance Code authorize the State Department of Insurance to award and  
10 distribute certain funds to district attorneys submitting plans approved by the  
11 Bureau of Fraudulent Claims for the increased investigation and prosecution  
12 of fraudulent disability and healthcare insurance claims; and the District  
13 Attorney is charged with providing prosecution of all felony offenses  
14 committed within this County; and

15                                   **WHEREAS**, the Board of Supervisors of Los Angeles County  
16 recognizes that fraudulent claims are costing our citizens millions of dollars  
17 annually, as reflected in higher insurance premiums and increased costs for  
18 medical services and equipment; and

19                                   **WHEREAS**, the County of Los Angeles, acting through its Board  
20 of Supervisors, desires to combat disability and healthcare insurance fraud  
21 by undertaking a certain project designated the "Disability and Health  
22 Insurance Fraud Program" by the District Attorney to be funded through  
23 funds made available by the Insurance Fraud Prevention Act as provided for  
24 pursuant to California Insurance Code 1872.85, administered by the  
25 California Department of Insurance; and

26                                   **WHEREAS**, the State of California Department of Insurance approved  
the fraud reduction plan submitted by the Los Angeles County District Attorney's

1 Office for Fiscal Year 2005-2006, for the Disability and Health Insurance Fraud  
2 Program for this specific task.

3 **NOW, THEREFORE, BE IT RESOLVED** that the Board of Supervisors  
4 of the County of Los Angeles hereby authorizes and approves acceptance of grant  
5 funds from the State of California, Department of Insurance, to be used  
6 exclusively for the program designated the "Disability and Health Insurance Fraud  
7 Program" for the period covering July 1, 2005 to June 30, 2006;

8 **BE IT FURTHER RESOLVED** that the County of Los Angeles  
9 hereby authorizes the District Attorney to serve as Project Director and to  
10 perform all further tasks necessary for the completion of the project, including

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1 any extensions, execution and submission of amendments, progress reports,  
2 and payment requests relating to the Grant Award Agreement;

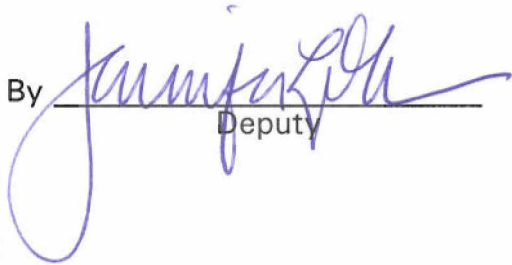
3 **I DO HEREBY CERTIFY** that at a regular meeting of the Board of  
4 Supervisors of the County of Los Angeles, on this \_\_\_\_\_ day of  
5 \_\_\_\_\_, 2006, the forgoing Resolution was adopted.

6 **IN WITNESS WHEREOF**, I have hereunto set my hand and  
7 affixed the seal of the Board of Supervisors of the County of Los Angeles  
8 this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

10 VIOLET VARONA-LUKENS,  
11 Executive Officer- Clerk of the  
12 Board of Supervisors of the  
County of Los Angeles

13 By \_\_\_\_\_  
Deputy

14 APPROVED AS TO FORM  
15 BY COUNTY COUNSEL:

16 By  \_\_\_\_\_  
17 Deputy  
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**Los Angeles County Chief Administrative Office**  
**Grant Management Statement for Grants Exceeding \$100,000**

**Department:** District Attorney

**Grant Project Title and Description**

**Disability and Health Insurance Fraud Program**

The focus of this program is to enhance prosecutorial efforts and criminal investigation of fraudulent disability and healthcare claims activity in Los Angeles County. These grant funds will allow the District Attorney's Office to successfully implement this pilot program with its collaborative efforts with the State of California, Department of Insurance (SCDI) to reduce disability and healthcare insurance fraud.

**Funding Agency**  
California Department of Insurance

**Program (Fed. Grant # /State Bill or Code #)**  
California Insurance Code Section 1872.85

**Grant Acceptance Deadline**

**Total Amount of Grant Funding:** \$650,000

**Grant Period:** FY2005-2006 **Begin Date:** July 1, 2005

**Number of Personnel Hired Under This Grant:** 11

**County Match:** \$0

**End Date:** June 30, 2006

**Full Time:** 7 **Part Time:** 4

**Obligations Imposed on the County When the Grant Expires**

Will all personnel hired for this program be informed this is a grant-funded program? Yes ☒ No ☐

Will all personnel hired for this program be placed on temporary ("N") items? Yes ☒ No ☐

Is the County obligated to continue this program after the grant expires? Yes ☐ No ☒

If the County is not obligated to continue this program after the grant expires, the Department will:

a). Absorb the program cost without reducing other services Yes ☐ No ☒

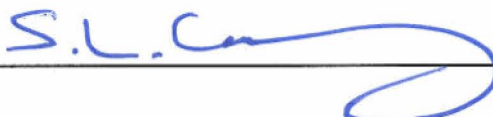
b). Identify other revenue sources Yes ☐ No ☒  
(Describe) \_\_\_\_\_

c). Eliminate or reduce, as appropriate, positions/program costs funded by the grant. Yes ☒ No ☐

**Impact of additional personnel on existing space:** None

**Other requirements not mentioned above:** None

**Department Head Signature**



**Date** 2/10/06